

Message Text

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PAGE 01 MANILA 16444 01 OF 02 170448Z

ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SP-02 USIA-06 AID-05 EB-08
NSC-05 SS-15 STR-05 OMB-01 CEA-01 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04
SIL-01 L-03 H-01 PA-01 PRS-01 IO-13 NEA-10 DHA-05
/113 W

-----056356 170452Z /13

P 170324Z OCT 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 6595

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 16444

USADB

PASS TREASURY FOR BRADFORD/ESCOUBE

E.O. 11652: NA

TAGS: EAID, EFIN

SUBJECT: ADB LOAN AND TA OPERATIONS FOR NOVEMBER - HUMAN RIGHTS

REF: MANILA 14240

FOLLOWING PROJECT DESCRIPTION PROVIDES DETAILED INFORMATION
ON SOCIO-ECONOMIC IMPACT OF ASAN BAY POWER PROJECT (KOREA),
WHICH IS SCHEDULED FOR CONSIDERATION OF ADB BOARD OF
DIRECTORS ON OCTOBER 31.

1. PROPOSED LOAN FOR ASAN BAY PROJECT WILL COVER ENGINEERING
SERVICES TO PREPARE A FEASIBILITY STUDY AND DESIGNS FOR
TWO 500 MW THERMAL STATIONS TO BE LOCATED AT ASAN BAY.
INVITATIONS TO CONSULTANTS FOR PROPOSALS SPECIFY PARTNER-
SHIP ARRANGEMENTS WITH KOREAN CONSULTING FIRMS, AND
PROJECT WILL THEREBY ENHANCE INDIGENOUS CAPACITY
OF KOREAN ENGINEERING CONSULTANTS TO WORK ON LARGE
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PAGE 02 MANILA 16444 01 OF 02 170448Z

THERMAL PROJECTS. IN THIS REGARD, THE 500 MW UNITS
TO BE DESIGNED ARE LARGEST SO FAR TO BE CONSTRUCTED
IN KOREA.

2. DURING CONSTRUCTION STAGE OF PROJECT, WHICH
IS EXPECTED TO COMMENCE IN 1979 AND TO LAST FOR A
PERIOD OF THREE YEARS, IT IS ESTIMATED THAT SOME 400

WORKERS WILL BE EMPLOYED ON AVERAGE AT PROJECT SITE. IN ADDITION, IT IS ESTIMATED THAT AN EQUIVALENT NUMBER OF JOBS WILL BE INDIRECTLY CREATED IN FIRMS WHICH SUPPLY GOODS AND SERVICES TO PROJECT. EMPLOYMENT WILL CONSIST OF A SUBSTANTIAL NUMBER OF LABORERS AS WELL AS SKILLED WORKERS SUCH AS MECHANICS, WELDERS, MASONS AND CARPENTERS.

3. PROJECT AT ASAN BAY WILL BE OPENING UP A NEW AREA ON WEST COAST OF KOREA. TO SUPPORT THIS AREA, INFRA-STRUCTURE FACILITIES SUCH AS ROADS, WATER SUPPLY AND SHIP BERTHING FACILITIES WILL BE REQUIRED. IT IS ALSO EXPECTED THAT NEW POPULATION SETTLEMENTS WILL OPEN UP AROUND PROJECT SITE REQUIRING HOUSING, SCHOOLS, AND SHOPPING FACILITIES. CONSTRUCTION OF NECESSARY INFRASTRUCTURE AND HOUSING AND SERVICE FACILITEIS FOR THE CONSTRUCTION WORKERS WILL PROVIDE ADDITIONAL EMPLOYMENT NOT RECOGNIZED IN ABOVE STATED FIGURES. IN A SENSE, PROJECT AT ASAN BAY MAY BE CONSIDERED AS A NUCLEUS OF A NEW AREA DEVELOPMENT ON WEST COAST OF KOREA. SINCE FURTHER EXPANSION TO THE POWER STATION AT ASAN BAY IS CONTEMPLATED, AND SINCE KOREA ELECTRIC COMPANY WILL HAVE TO MAINTAIN OPERATING STAFF IN THE REGION, THIS DEVELOPMENT MAY BE CONCLUDED TO BE PERMANENT IN NATURE. FURTHERMORE, RELIABILITY OF POWER SUPPLY ON WEST COAST WILL BE ENHANCED WHICH LIMITED OFFICIAL USE

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PAGE 03 MANILA 16444 01 OF 02 170448Z

WOULD ENCOURAGE INDUSTRIES TO LOCATE IN THE AREA AND DECENTRALIZE INDUSTRIAL CONGESTION IN KOREA'S MAJOR CITIES.

4. REGARDING DIRECT BENEFITS OF PROJECT ITSELF, WHICH RESULT FROM THE GENERATION OF ELECTRIC POWER, IT SHOULD BE NOTED THAT ALMOST 90 PERCENT OF KOREA ELECTRIC COMPANY'S ENERGY SALES GO TO THE INDUSTRIAL SECTOR WHICH FORMS BACKBONE OF KOREA'S ECONOMY AND CREATES A MAJOR SHARE OF KOREA'S EMPLOYMENT OPPORTUNITIES. GIVEN RAPID GROWTH RATES OF DEMAND IN KOREA WHICH HAVE BEEN IN EXCESS OF 15 PERCENT PER ANNUM, IT IS VITALLY CRITICAL THAT ENERGY BE AVAILABLE TO MEET GROWING DEMANDS OF

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PAGE 01 MANILA 16444 02 OF 02 170404Z
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FM AMEMBASSY MANILA
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LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 16444

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INDUSTRY WHICH SUPPLY JOBS. IN EVENT OF A POWER SHORTAGE WHICH WOULD RESULT FROM FAILURE TO COMPLETE PROJECT ON TIME, THERE WOULD BE SEVERE DISLOCATIONS OF THE ECONOMY (INCLUDING UNEMPLOYMENT) RESULTING FROM INDUSTRIAL SHUT DOWNS, AND THE ECONOMY'S LONG-RUN GROWTH WILL BE IMPAIRED.

5. FINALLY, PROJECT AT ASAN BAY POWER STATION WILL FEED POWER TO NATIONAL GRID WHICH IS BEING EXPANDED TO PROVIDE VIRTUALLY 100 PERCENT POWER COVERAGE IN RURAL AREAS. IN EVENT OF DELAYS IN AVAILABILITY OF GENERATING CAPACITY, THE RURAL ELECTRIFICATION PROGRAM WOULD MOST CERTAINLY BE FIRST TO BE ABANDONED, AND EFFECT HERE WOULD BE THE GREATEST ON LOW-INCOME RURAL FAMILIES AND SMALL-SCALE INDUSTRIES.

6. IT IS, THEREFORE, CONSIDERED THAT POWER, AS ESSENTIAL BASIC INFRASTRUCTURE, HAS A SIGNIFICANT IMPACT ON BOTH
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PAGE 02 MANILA 16444 02 OF 02 170404Z

THE RURAL AND URBAN WORKING CLASS. SINCE THE BENEFITS OF ELECTRICITY FROM PROJECT ARE NATIONWIDE AND INSEPARABLE FROM BENEFITS OF OTHER POWER GENERATION PROJECTS, IT IS DIFFICULT TO QUANTIFY EMPLOYMENT CREATION BEYOND THAT OF PROJECT CONSTRUCTION AND OPERATION. IT IS CLEAR, HOWEVER, THAT THERE IS A HIGH EMPLOYMENT CONTENT, BOTH DIRECT AND INDIRECT, ASSOCIATED WITH POWER GENERATION PROJECTS, PARTICULARLY WHERE THEY SERVE AN INDUSTRIAL NATION SUCH AS

KOREA.
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